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Standing Committee on Government Operations and Estimates

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• (1630)

[*English*]

The Chair (Mr. Kelly McCauley (Edmonton West, CPC)):
Good afternoon, everyone. I call this meeting to order.

Welcome to meeting number 51 of the House of Commons Standing Committee on Government Operations and Estimates.

Pursuant to the motion adopted by the committee on Wednesday, January 18, 2023, the committee is meeting on the study of the federal government consulting contracts awarded to McKinsey & Company.

I understand that we have some online witnesses. I can attest that our clerk has completed the required connection tests in advance of the meeting.

We'll start with an opening statement from the President of the Treasury Board.

Welcome back, Minister. The floor is yours for five minutes.

Hon. Mona Fortier (President of the Treasury Board): Thank you, Mr. Chair.

Before we begin, I'd like to acknowledge that I am speaking from the traditional unceded territory of the Algonquin Anishinabe people.

With me are senior officials from the Treasury Board of Canada, notably, Roch Huppé, comptroller general of Canada, and Catherine Luelo, chief information officer of Canada.

[*Translation*]

Service contracts are widely used by governments and private organizations in Canada and around the world. They're generally used to complement the work of Canada's professional public service.

Contractual services may be used to provide specific types of expertise, to deal with unexpected fluctuations in the workload, or to obtain independent opinions pertaining to projects.

[*English*]

Since 2011, spending on professional services as a percentage of total government expenditures has largely remained the same. Compared to spending on the public service, the use of professional services has also remained relatively consistent since 2011.

Every year, there are hundreds of thousands of contracts for everything from pencils and vehicles to professional services. Given this volume, there are controls throughout government, which start

in departments and flow all the way up to the Treasury Board depending on value, complexity and risk.

[*Translation*]

Basically, these control measures are set out in the Treasury Board Directive on the Management of Procurement.

Although the decision to acquire goods and services rests with each deputy minister, the directive spells out the expectations and requirements to ensure that government procurement is equitable, open and transparent.

In each department, a senior official is responsible for procurement. This official establishes, implements and maintains a framework for the processes, systems and controls.

[*English*]

Departments must maintain the integrity of the process and protect it from fraud; define the intended outcomes; get the best value, including a fair price; and ensure what's delivered meets the quality, standards and service levels in the contract. Departments are only authorized to enter into contracts up to specific thresholds. Any contracts that exceed them require Treasury Board approval. Departments and agencies publicly disclose contracts over \$10,000. Actual expenditures are reported annually in the public accounts. We have a responsibility, which we take very seriously, to ensure spending remains prudent and delivers results.

Accordingly, at the request of the Prime Minister, Minister Jacek and I are overseeing a review of all procurements with McKinsey.

TBS is requiring departments' internal audit teams to review their contracts with McKinsey to assess if the contracts complied with Treasury Board policy and departmental internal control frameworks. TBS will review these assessments and undertake corrective actions if there are issues. We are also requesting that Crown corporations, which are not subject to Treasury Board contracting requirements, conduct similar reviews. As an additional level of verification, we have asked the procurement ombudsman to provide a third party assessment of compliance with contracting rules.

Following these reviews, TBS will see if there are opportunities to enhance the directive on the management of procurement—for example, by providing guidance to departments to support procurement decisions—and we look forward to considering any recommendations coming from this committee.

[*Translation*]

Procurement controls in Canada are administered by dedicated public servants, who have done effective work at various levels of government. However, if improvements are needed, we will have to introduce them.

I'll be happy now to answer any questions committee members may have.

[*English*]

The Chair: Thank you, Minister.

We'll start with Ms. Kusie for six minutes, but before we start, colleagues, can we keep an eye on our clocks? I've been cutting off people a lot in the last few meetings. Thanks very much.

Ms. Kusie, you have the floor.

Mrs. Stephanie Kusie (Calgary Midnapore, CPC): Thank you, Chair.

Thank you very much, President of the Treasury Board, for joining us here again today.

On what date did the Prime Minister approach you to investigate?

Hon. Mona Fortier: It was on January 11, 2023.

Mrs. Stephanie Kusie: Thank you for that clarification.

Are you aware of how much the government has awarded McKinsey & Company in contracts, outside of PSPC?

Hon. Mona Fortier: Currently, if I can.... I have the number here. It's \$14.4 million.

Mrs. Stephanie Kusie: When can we expect your investigation to be complete?

Hon. Mona Fortier: We sent out letters to ministers and departments today. We are expecting to receive some information and to have a report by June 30.

Mrs. Stephanie Kusie: Will you present the findings of your investigation to the committee?

Hon. Mona Fortier: Yes, if I am invited to do so.

Mrs. Stephanie Kusie: I am quite confident you will be invited.

Are you familiar with the SNC-Lavalin scandal that took place four years ago?

Hon. Mona Fortier: I was in government.

Mrs. Stephanie Kusie: Are you familiar with the WE scandal that took place in government three years ago now, or two and a half years ago?

• (1635)

Hon. Mona Fortier: I was the member of Parliament for Ottawa—Vanier.

Mrs. Stephanie Kusie: What I'm getting at, President, is this: How do you think we can possibly trust a government that...? I'll also ask this: Are you aware of the ethical breaches of the Prime Minister?

Hon. Mona Fortier: I am, as you are.

Mrs. Stephanie Kusie: Are you aware of the most recent ethical breach of the trade minister?

Hon. Mona Fortier: I am, as you are.

Mrs. Stephanie Kusie: That's great.

What I'm saying, President, is that I think it's very hard for those of us in the official opposition—and Canadians—to accept the legitimacy of a government that is investigating itself, not only from an ethical standpoint but also from the standpoint of.... The initial number we heard was a double-digit number. Then, we went into the hundreds of millions. The last I heard, we were at \$116 million.

I'll ask you this, Minister: How can we trust you to investigate yourself, after so many ethical breaches by your government and the lack of clarity on how much was spent on McKinsey & Company?

Hon. Mona Fortier: First, thank you, everyone, for being here today.

We have a framework to manage our procurement. We have laws, regulations, government-wide policies, directives and guidelines. We also have department policies and guidelines. If I may, I might share a chart with all members that shows that we have those mechanisms in place. We continue to look into them, how we can strengthen them.

Also, I have to say that, in the past few weeks, we've had a chance to start looking into how we will address this. We have internal audit reviews done frequently, and I trust those will be given a chance. We'll look at what we have done, internally. We also know the ombudsman for procurement will have an opportunity to share his recommendations. As we all voted for, the Auditor General will also examine this, if she wishes to look into this, and review the contracts with McKinsey. I also welcome the recommendations of the committee.

I believe Canadians expect our government to have strong procurement policies.

Mrs. Stephanie Kusie: Thank you very much, Minister.

You've laid it out very clearly, but I think the actions and outcomes speak a lot louder than the chart you presented here, today.

President, are you familiar with the Purdue case and McKinsey's implication in the opioid crisis in the U.S.?

Hon. Mona Fortier: Yes, I have been informed.

Mrs. Stephanie Kusie: Are you aware of the situation with the Saudi Arabian dissidents and McKinsey—how they feel endangered, here in Canada, as a result of McKinsey & Company's implication?

Hon. Mona Fortier: Yes, I have been informed.

Mrs. Stephanie Kusie: I'm wondering, then, how you—as President of the Treasury Board and a representative of this government—can feel comfortable giving over \$100 million to an organization that was implicated in such a terrible lack of ethics and scandal, to the tune of an over fiftyfold increase since the time your government has been in place.

Can you explain how you and your government can align with such a company, one that lacks such ethics, on such a grand scale—50 times greater than that of the previous government?

Hon. Mona Fortier: Actually, I'd like to inform you that, under the previous government, an integrity regime was put in place. We have continued to use this integrity regime, which makes sure that we foster ethical business practices. At this time, as you know, McKinsey is not deemed an ineligible supplier under the integrity regime.

As you probably heard from Minister Jaczek on Monday, PSPC administers this regime, and they are best placed to comment on the integrity regime.

Mrs. Stephanie Kusie: Thank you, Chair.

You're passing the buck. Thank you.

The Chair: Thank you.

Mr. Kusmierczyk, it's over to you for six minutes, please.

Mr. Irek Kusmierczyk (Windsor—Tecumseh, Lib.): Thank you, Mr. Chair.

Thank you so much, Madam President, for being here again at the OGGO committee and for providing your testimony and your insights on this important issue.

[*Translation*]

Can you give us details about the contracts awarded to McKinsey & Company?

Hon. Mona Fortier: Thank you for the question, dear colleague.

Since 2015, McKinsey was awarded 34 contracts worth a total of \$116.8 million. Two factors account for nearly the entire amount. I believe that it's important to be aware of the fact that McKinsey was awarded three competitive contracts worth a combined \$55.8 million. It was also awarded a contract under a national master standing offer, for benchmarking analysis services worth \$48.8 million.

In other words, if procurement services had not awarded the national master standing offer for benchmarking, the total would have been only half of that amount.

That's it, then, for the contracts awarded to McKinsey.

• (1640)

Mr. Irek Kusmierczyk: Thank you very much.

Has the government enhanced contract transparency?

Hon. Mona Fortier: As I mentioned earlier, at the request of the Prime Minister, the minister, Ms. Helena Jaczek, and I have been conducting a review. We acknowledge that there are concerns about how the government discloses work that has been contracted out. We will therefore continue to focus on the contract data. In terms of

proactive disclosure, the act currently requires five information fields. Right now, there are 36, and we are testing five more to ensure that Canadians are aware of the extent to which contracts are disclosed proactively.

We are going to continue to make sure that proactive disclosure is put into practice. I am of course relying on your participation, as part of your analysis, to continue to improve the existing system.

[*English*]

Mr. Irek Kusmierczyk: Thank you for that response.

[*Translation*]

The examination of McKinsey & Company contracts will be carried out by internal auditors.

Can they really report problems?

Hon. Mona Fortier: I'm sorry, but could you repeat your question?

[*English*]

Mr. Irek Kusmierczyk: Yes.

[*Translation*]

The examination of McKinsey & Company contracts will be carried out by internal auditors.

Can they really report problems?

Hon. Mona Fortier: I'm having a bit of trouble hearing today. Thank you for repeating the question.

As I mentioned in my opening address, we have internal audit teams, and they could do the work. They are independent and objective in their appraisals and their work. They also do the work in compliance with international audit standards. As I mentioned already, the procurement ombudsman could also make recommendations. The ombudsman is neutral and independent. I will therefore welcome his recommendations.

As we know, the Auditor General will carry out this examination if she wishes, of course. We will take her recommendations and analysis into consideration.

[*English*]

Mr. Irek Kusmierczyk: What kind of expertise does outsourcing let the government access, in your opinion, that it might not have in-house or that it might be lacking?

Where do you see outsourcing playing a strategic or critical role in making sure that we are providing vital services to Canadians and delivering services to Canadians, and making sure that we're supporting our public servants in their roles in delivering a quality public service?

Hon. Mona Fortier: Thank you for that question.

As you know, we have a very ambitious agenda. Our government has a very hard-working public service. Sometimes, we need to complement that work to make sure that we deliver the programs and services we're bringing forward. That complement of work of Canada's professional public service sometimes meets the unexpected fluctuations in workload.

It's also to acquire special expertise. I know that Catherine Luelo has a lot to say when I meet with her to talk about our digital ambition. The talent that we're looking for, we have inside our public service. We also need expertise from the private sector. I'm sure that during the next hour, she'll be able to share how IT is one area that we're lacking in and where we have a shortage of workers to help us move forward with our digital government.

Thank you, Mr. Chair, for reminding me that six minutes is over already.

• (1645)

The Chair: Thank you.

We'll go to Ms. Vignola, for six minutes please.

[Translation]

Mrs. Julie Vignola (Beauport—Limoilou, BQ): Thank you very much, Mr. Chair.

I'd like to thank the President of the Treasury Board and the other witnesses for being with us today.

The Treasury Board is the employer of the federal public service.

How much of a priority should the public service place on strengthening internal capacity through training, as was suggested by Mr. Dominic Barton last week, to pull the the machinery of government out of Stone Age?

Those were Mr. Barton's words, but it's not at all what I think.

Hon. Mona Fortier: I think we agree on the fact that we have a very robust public service, in which there is a lot of talent as well as the required expertise. However, in view of the work we have to do, we sometimes need to address our short-term needs by going out and getting expertise we don't have.

For example, we may need an architect to draw up plans for a building, in which case we could go and get one. Complementary professional services are very important.

We also have a long-term strategy for skills within the public service. There are many ways to provide training, and we sometimes make use of outside professional services.

There is also the Canada School of Public service, which provides training to ensure that our public servants have the right talent, expertise and skills.

Mrs. Julie Vignola: Thank you very much.

The public service should indeed be a springboard for talent. We shouldn't have any trouble recruiting people. The public service should be so appealing that it has to turn applicants down. I know that we are currently in a crisis, but you get the idea. Canadians should see us as the very best government organization there is. We should really be a very appealing place to work.

Two contracts were awarded to McKinsey & Company to improve the productivity of public servants who process pay and take care of Phoenix system errors. That's what we learned this week.

I don't think the problem lies with public service employees, but with the system itself.

Wouldn't it have been much more cost effective to do something like hire programmer analysts from IBM, which created the Phoenix system, rather than blaming public servants for a lack of productivity and hiring a consultancy firm to try to make them more productive?

I'll give you an example of what I mean.

It's as if I had a running team that included Bruny Surin and Andre De Grasse, and instead of giving them running shoes and having them run on a rubberized track, I were to take their shoes away and say, "Let's go. Run as fast as you can."

To some extent, that's what we do with our public servants. We've given them a system that doesn't work and then asked them why they're not doing better.

Why hire consultants rather than experienced programmer analysts, as IBM had suggested at the outset?

Hon. Mona Fortier: I'm also a fan of Bruny Surin and Andre De Grasse. I think that we're on the same wavelength. We want a public service that can properly respond to the requirements of various projects, including the one we administer for Phoenix.

People in the public service do very good work. I'd like to point out that Public Services and Procurement Canada, PSPC, awarded a contract to McKinsey & Company, for accelerator and other services, to rationalize processes and standardize work at the Public Service Pay Centre. These were therefore complementary services.

This considerably sped up and increased overall productivity and accuracy at the pay centre. It was an improvement and it helped public servants to do their work effectively.

Mrs. Julie Vignola: However, would we have needed it if the system had worked properly?

Hon. Mona Fortier: We all agree that the system did not work...

• (1650)

Mrs. Julie Vignola: Here we go again.

Hon. Mona Fortier: ... and were making every possible effort to get it working. Public servants have to be paid and it's one of the priorities of my mandate.

Mrs. Julie Vignola: In short, you're satisfied with the services provided by McKinsey.

Is that right?

Hon. Mona Fortier: I can tell you that PSPC was satisfied with the outcome, which was to integrate accelerator services to rationalize the processes and standardize work at the pay centre. There was a 14% productivity increase over the same period in 2021. My understanding is that the work was useful, and it will enable us to pursue our mandate in connection with the Phoenix system.

Mrs. Julie Vignola: Thank you.

Very briefly, what process do you follow to check that the government doesn't already have the required expertise internally?

For example, when comparative analyses need to be done and the requirements of the work call for a knowledge of quantitative methods, how do you make sure that this expertise is not available in-house?

Hon. Mona Fortier: As you might imagine, I'm not the one who personally does this work. Public servants determine things like that when they evaluate their needs. Among other things, it's worth examining how the public servants reached the decision to bring in additional external expertise.

[*English*]

The Chair: Thank you, Minister.

Mr. Johns, you have six minutes, please.

Mr. Gord Johns (Courtenay—Alberni, NDP): Thank you.

Minister, it's good to have you here.

First, we're concerned, obviously, about the overreliance on outsourcing. That's because it so often fails to deliver value for money. It also hurts the ability of the government to recruit the professionals it needs.

I'm going to ask you some quick yes-or-no questions. These aren't complicated.

The Treasury Board is responsible for approving regulations and supervising the quality of financial reporting in government. It's also responsible for government accountability and ethics. Is that a fair assessment?

Hon. Mona Fortier: Yes.

Mr. Gord Johns: The Treasury Board Secretariat makes recommendations to the Treasury Board on government regulations and spending, and ensures that our tax dollars are spent productively. Is that a fair assessment?

Hon. Mona Fortier: Yes. You also have to know that the policies direct the authorities that departments have. It depends on which department, so I don't want to generalize that everybody has the same amount. We have policies, as you know—

Mr. Gord Johns: But your role is to ensure that it's spent productively.

Now, your role is to take the policies and programs approved by cabinet, implement them and make sure that departments have the resources they need to do their work. Is that right?

Hon. Mona Fortier: My role is to set a policy to enable the departments to be able to do their work.

Mr. Gord Johns: Yes. You have guidelines. I mean, the NDP, as you know, put forward a motion also to the Auditor General to conduct a performance audit to ensure that your Treasury Board guidelines to the departments are developing credible cost estimates as well. That's something you're aware of.

Your home page states some really important objectives, which I'll focus my questions on today. Those are open government, innovation in the public service and government-wide reporting on spending. I'm sure you're well aware of the concerns we have raised about the more than \$600 million and the consulting firms that are.... It's literally a runaway train. Their share of outsourcing was \$50 million in 2011. Now it's over half a billion. I would just point that out.

The impact on the public service is real. It's destroying morale and it's erasing institutional capabilities. I just want to highlight that the \$15 billion in outsourcing is actually triple the promise your government made yesterday on the health transfer, so this is significant. It's a lot of money.

The Prime Minister in 2015 made an election promise to actually reduce outsourcing and the use of external consultants. These consultants, these six firms.... It's gone up fourfold since your government took power. It had doubled under the Conservatives.

We know the impact this has on morale. My question to you is this: On the current reliance on outsourcing, do you think it's ethical, do you think it's a problem and do you think it's the best value for Canadians?

Hon. Mona Fortier: First, I'm going to state that we are consistent with the size of the public service. The amount of contracting that we do is almost the same as it was in 2015.

I think we have to make sure that we focus on the fact that we have, as a government, a very ambitious agenda. We talk about housing, infrastructure and even mental health. Therefore, we have to make sure that we have the programs and services in place. With the public service that we have, the hard-working public service, and the complement of working with professional services, this is how we can best deliver programs to Canadians.

• (1655)

Mr. Gord Johns: I agree. We have good professionals and they can do the job, but this is hurting morale. I know Minister Jaczek tried to dispute that, but I think that, if you talk to the representatives of the workers, they'll tell you clearly that this is having an impact. The Phoenix system, a sole-source contract that ended up costing hundreds of millions of dollars, started with the Conservatives. It was carried forward with your government. It's demoralized the public service. Outsourcing to companies like this means less transparency, lower accountability and the loss of institutional knowledge. Also, problems arise with the overreliance on this approach—the high cost and lack of competition.

We lose accountability, erode capacity and hurt our ability to retain staff. Mr. Barton called it the “new phenomenon” that's going on in consulting. He said that the new phenomenon is that these big consulting firms are spending record amounts of money on research and development, because they're securing such big contracts that they're creating infrastructure on their own. Do you not see a problem with that?

Hon. Mona Fortier: First, I will tell you, again, when we started in government in 2015 and with the growth of the public service to today, according to what I've had a chance to discuss with my officials, we are investing the same percentage in outsourcing. We have a consistent investment in professional services contracting.

Mr. Gord Johns: Minister, what's consistent is this—

Hon. Mona Fortier: One thing I would—

Mr. Gord Johns: —increase, this runaway ship. A fourfold increase just to these expensive firms is actually not consistent. It wasn't like that 20 years ago. It's becoming consistent. This is one of the recommendations that certainly the NDP is going to make—to stop the runaway train. This is hard for morale, but it's also a high cost to taxpayers. It's not the same as 20 years ago. They're literally embedded now in government. We hear of consultants working side by side with public servants.

I guess my question to you is this: Are you going to stop the runaway train, or are you going to invest in public servants to do the job?

Hon. Mona Fortier: I am investing, actually, in public servants. I'm going to ask Catherine Luelo to share our IT ambition right now, which is a great example of how we have to make sure that our IT is serving Canadians appropriately and how we are working with the public service and also strengthening the training and expertise.

Please, Catherine, go ahead.

The Chair: I'm afraid we're not going to have time for that—perhaps in another round.

Mr. Paul-Hus, again, welcome back to your natural home at OGGO.

You have five minutes, please.

[*Translation*]

Mr. Pierre Paul-Hus (Charlesbourg—Haute-Saint-Charles, CPC): Thank you, Mr. Chair.

Good afternoon, Minister, and good afternoon to everyone.

As you know, Minister, we are studying expenses incurred for the period from 2011 to 2021. From 2011 to 2013, several hundreds of thousands of dollars were invested at McKinsey by the former Conservative government. In 2014 and 2015, no contracts were awarded to McKinsey & Company. On October 19, 2015, there was a new government, and there was a dramatic increase in the number of contracts awarded to that company.

Can you tell me, from memory, whether there were any guidelines from the Prime Minister's Office encouraging departments to do business with McKinsey & Company?

Hon. Mona Fortier: No, my understanding of this is that we ask departments and public servants to establish their needs. After that, a competition is held to find firms that can meet these needs.

Mr. Pierre Paul-Hus: When you say "we", are you talking about cabinet or about you yourself, as President of the Treasury Board?

Hon. Mona Fortier: When I talk about our policies, I am alluding to the Treasury Board Directive on the Management of Procurement. That directive, among other things, enables public servants...

Mr. Pierre Paul-Hus: Okay.

Minister, as I mentioned, in 2014 and 2015, no contracts were awarded to McKinsey & Company. Your government took office and all of a sudden there was an explosion of contracts beginning in 2016. In 2021, contracts worth a total of \$32 million were awarded.

Where did the directive to do business with McKinsey come from?

Hon. Mona Fortier: We have the government procurement management directive, which establishes how the government can award contracts.

Mr. Pierre Paul-Hus: That's fine, minister, but who encouraged the departments to do business with McKinsey?

Hon. Mona Fortier: McKinsey & Company bids in competitions. In some instances, it was awarded sole-source contracts. Mr. Huppé could provide you with a list of sole-source contracts awarded after McKinsey went through the required steps to qualify as a sole-source supplier. It is then up to the officials and departments to determine whether this was done in compliance with the procurement management directive.

Mr. Pierre Paul-Hus: You are obviously aware of the fact that in 2020, there was a class action suit in Canada against McKinsey & Company for its involvement in the opioid crisis. In 2021, the year in which the Government of Canada awarded it the most contracts, it agreed to pay \$600,000 in compensation for its involvement in the opioid crisis in the United States.

Why did the government continue to award contracts to McKinsey after learning about these ethics problems, as confirmed by court judgments?

• (1700)

Hon. Mona Fortier: As you know, the Integrity Regime was established in 2015 by the previous government, and we abide by the regime's principles.

Mr. Pierre Paul-Hus: Does this mean they did not do their work properly in terms of integrity?

It was widely known that the McKinsey firm was involved in some rather serious situations. People died in the United States and Canada as a result of what they did.

Are you telling me that that no one was aware of any problems?

Hon. Mona Fortier: I'll say it again: Under the integrity regime, a supplier that has in the past three years been convicted of an offence listed in the ineligibility and suspension policy will be declared ineligible for a period of 10 years. That's what the policy provides.

Mr. Pierre Paul-Hus: What is the current status of McKinsey in this respect?

Hon. Mona Fortier: At this time, McKinsey is not deemed to be an ineligible supplier under the integrity regime.

Mr. Pierre Paul-Hus: Okay. Is...

Hon. Mona Fortier: I believe that...

Mr. Pierre Paul-Hus: Ms. Fortier, please.

Hon. Mona Fortier: ... the minister, Ms. Jaczek, Gave you some information about that last Monday...

Mr. Pierre Paul-Hus: Ms. Jaczek didn't provide much information, unfortunately. She didn't know much about it.

Hon. Mona Fortier: ... and she's in a better position to give you an answer, because she's the person who manages the regime.

Mr. Pierre Paul-Hus: I understand, but you're the president of the Treasury Board and are responsible for public funds. We are currently studying the matter of awarding Canadian government contracts to McKinsey & Company.

Can you tell me whether, at the moment, the review of McKinsey has led to there being no active contracts with them?

Hon. Mona Fortier: I didn't understand your question. Can you explain it?

Mr. Pierre Paul-Hus: You said that there was a compliance review system to determine whether a company meets...

Hon. Mona Fortier: The directive public servants must follow is the procurement management directive.

Mr. Pierre Paul-Hus: Everyone knows there has been a problem since 2020, and that it got worse in 2021.

Two years on, in 2023, can you tell me whether McKinsey can still do business with the government of Canada? Has no one just said, "that's it"?

Hon. Mona Fortier: At the moment, the supply management directive gives a clear explanation of the process involved in awarding contracts to companies.

I could give you...

Mr. Pierre Paul-Hus: That doesn't tell me anything.

I'll ask you the question again, Minister.

Is McKinsey and Company still doing business with the government of Canada?

According to the reviews carried out, is this company still considered reliable?

Hon. Mona Fortier: It is still doing business with the government of Canada. It is still eligible as a company according to the reviews.

Mr. Pierre Paul-Hus: In spite of everything the company did, isn't there anyone who feels the government should stop doing business with them?

Hon. Mona Fortier: As I mentioned earlier, McKinsey is not considered an ineligible supplier under the integrity regime at this time.

Mr. Pierre Paul-Hus: From a policy standpoint, do you think we should stop doing business with McKinsey and Company?

Hon. Mona Fortier: McKinsey is not considered an ineligible supplier under the integrity regime at this time. There is a regime in place, and that's what we apply.

Mr. Pierre Paul-Hus: Thank you.

[English]

The Chair: Thank you, Mr. Paul-Hus.

Thank you, Minister.

Ms. Thompson you have five minutes, please.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you, Mr. Chair.

Welcome, Minister.

I'm going to circle back to Ms. Luelo to answer the previous question on IT as a significant portion of federal outsourcing. Why is that? Also, why isn't the work done internally?

Ms. Catherine Luelo (Deputy Minister, Chief Information Officer of Canada, Treasury Board Secretariat): Thank you for the question.

I've had a chance to present at OGGO before. This is just a reminder that I'm 18 months into government, so I'm prefacing some of my comments with that backdrop.

I think it's relevant in the sense that what we're experiencing inside government with IT outsourcing is a very normal practice from my background working for large Canadian organizations. We are taking advantage of outsourcing because we have a 30% vacancy rate in our digital cadre of employees. On a baseline of about 28,000 positions, we have difficulty staffing those roles. That is not just a government phenomenon; that is a Canadian phenomenon right now. There is a significant talent pool gap in Canada, so all organizations are competing for the same employee base and that becomes very competitive as you get more experienced resources.

We stood up a digital talent group within the office of the chief information officer in the spring of last year to absolutely take advantage of bringing more people into the public service.

I would share with this committee that we did a job posting for cybersecurity experts across Canada a number of weeks ago. We got 1,600 applicants. We are working through those right now.

One of the challenges we have is the length of onboarding, to be completely direct. That's something we are working on with our OCHRO colleagues. It's difficult when you're looking for talent in a very hot market to take upwards of 100 to 200 days to bring them in, as they'll get scooped up by four additional offers by the time you do that. That is on our radar screen.

The public service that is currently delivering IT would like nothing more than to have more colleagues, and we are challenged in finding them in the Canadian marketplace right now. It is difficult to bring people in from other jurisdictions because of some of the security requirements we have specifically related to those working on our technology.

• (1705)

Ms. Joanne Thompson: Thank you. I appreciate the explanation. I'm going to stay with the officials for the next question, which is on the specifics of the safeguards that exist in the procurement process to ensure it's fair, open and transparent.

Could you speak about that and about what external checks are in place within the system and which people are involved in the procurement process? Is it from start to finish? Is there a continuity in that process? Then perhaps you could speak in depth to the transparency and how we maintain the integrity of the process.

Mr. Roch Huppé (Comptroller General of Canada, Treasury Board Secretariat): Thank you for the question.

This is a great question. I will start off by saying, as a premise, that the procurement process is probably one of the activities in the government today for which we have a set of processes and controls that are what I would consider very mature. We have a very impressive control framework around these activities that start and include what I'll call documentation, which is legislation, regulation, our policies and very detailed supply manuals that are available to everyone and are made public and available in a very transparent fashion.

We have a very professional workforce in the procurement community, which is governed by a learning curriculum of mandatory training they need to go through. Training is also mandatory for managers who manage these contracts, who are the clients of these

contracts, to make sure the work gets performed and so on, and they're accountable in that process.

I have to say that the controls are also based on the premise of delegation. Everyone is accountable within the process, and it varies. In departments, for example, delegation instruments exist that will prescribe who has the authority to approve which types of contracts, whether competitive or non-competitive, different types of goods and so on.

From a disclosure perspective—and the minister alluded to it—we have proactive disclosure under which all contracts over \$10,000 need to be disclosed. The minister also indicated that we're piloting new sets of information that needs to be disclosed.

The Chair: I'm afraid I have to cut you off there, Mr. Huppé. Our time is up. Perhaps you can finish in the next round.

Mrs. Vignola, go ahead for two and a half minutes, please.

[*Translation*]

Mrs. Julie Vignola: Thank you very much.

Ms. Fortier, The Senate report in France mentioned that it was a fairly common practice not to distinguish between a document published by the government and a document prepared by McKinsey, because one logo is simply being replaced by another.

Is that also the case in Canada?

Hon. Mona Fortier: I don't have a specific answer to that question, but I can tell you that every department contracting work includes in the contract a number of clauses that will enable them to verify what the company worked on and produced, and also check that it has complied with the clauses of the contract. The department in question would have to be asked to confirm whether the company did indeed meet the requirements of the standing offer.

Mrs. Julie Vignola: The Treasury Board is also responsible for a number of policies and regulations.

We've been told, and I believe that you also confirmed this in one of your responses during the round of questions, that the procurement process was very long and burdensome, and involved a lot of rules.

Is there no way that the process could be improved to make it more effective while remaining equally stringent to ensure that the people hired by the government are ethical and professional?

• (1710)

Hon. Mona Fortier: Firstly, public servants whose tasks are covered by current policies are always reviewing them. They do so with a view to openness and transparency. They also assure the integrity of the process.

The study being carried out by the committee today will doubtless provide us with recommendations to improve the process. I would nevertheless tell you that in view of the rigorous controls we established in the procurement management directive and through other tools at our disposal, we have what is needed to further the government's work.

Mrs. Julie Vignola: Thank you.

I have a final question.

Have you had the opportunity to read the Century Initiative?

Hon. Mona Fortier: No.

Mrs. Julie Vignola: All right.

I would suggest that you read it, because it contains all kinds of things that we've heard about in the answers given during the round of questions.

Hon. Mona Fortier: Thank you.

[*English*]

The Chair: Thank you.

Mr. Johns, you have two and a half minutes.

Mr. Gord Johns: Thank you.

Minister, Accenture got just over five million dollars' worth of contracts in 2011. In 2015, it got \$15 million. It tripled under the Conservatives. It went up to \$55 million in 2021.

Deloitte went from \$28 million to \$173 million in a decade. Ernst & Young went from \$5 million to \$28 million. KPMG went from \$4 million to \$34 million. McKinsey went from \$642,000 to \$32 million. PricewaterhouseCoopers went from \$9 million.... It went up 452% under the Conservatives and then doubled under your government to \$93 million.

Do you think this is normal?

Hon. Mona Fortier: I mentioned it earlier and I'm going to repeat it. Over the past decade, the percentage of government expenditures for professional services has remained relatively consistent with the size of the public service.

With our ambitious agenda, we have been working very hard to make sure we develop the programs and services—

Mr. Gord Johns: I would say it's the ambitious agenda of these six companies. They have been working really hard. It has gone up tenfold in 10 years. I just want to highlight that.

I'm going to get to Ms. Luelo—who was talking about hiring new workers, which is so important—and the challenge she's raised.

I guess my question to the minister is this: Will you consider expanding the budgets of these units that need help, especially the

Canadian digital service, so more of this IT work can be done in-house and the results can be owned by the public?

Hon. Mona Fortier: Again, for the IT initiative, I'm going to let Catherine share why we are working as much with external services...and then our public servants who are making sure that we're bringing forward our digital transformation.

Mr. Gord Johns: I think she explained why. It's because of the challenge.

Will you fund to meet the challenge, so that it's in-house?

Hon. Mona Fortier: We are—

Go ahead. Maybe explain how it is.

Ms. Catherine Luelo: I think we can't execute on the resources. The resources don't exist and we can't bring them in fast enough. That's the issue we need to solve.

I'm not convinced it's a matter of moving money to fund more positions. That's likely part of it. I think it's really important to note that we are operating in a technical environment in the government that.... If you've been around for 40 years, you're part of the fact that we have an aging technology environment.

Mr. Gord Johns: Ms. Luelo, I get it. It's really difficult to find these talented people. What are we going to do to recruit them? I want to understand what the plan is.

Right now, you're still getting the work done. You're using expensive consultants. Some of them are outsourcing subconsultants. They are making money by actually hiring the subconsultants. They aren't even tech people, as we saw with GC Strategies. This is just unbelievable.

The Chair: I'm afraid that is our time. Perhaps if you have an answer, you could provide it in writing to the committee.

Mr. Johns, thanks.

Mrs. Kusie, we'll go over to you for five minutes, please.

Mrs. Stephanie Kusie: Thank you, Chair.

President, as I'm sure you're well aware, Immigration, Refugees and Citizenship Canada received a \$24.8-million contract to manage and execute the IRCC service transformation strategy. This contract concluded in December 2021, yet in January 2023 we still have a backlog of 1.2 million immigration applications.

How do you explain that Treasury Board keeps getting bad value for money, and we're getting outcomes such as this based upon such a significant investment to McKinsey & Company? How can you justify the terrible outcomes that your organization is receiving for this massive amount of money?

• (1715)

Hon. Mona Fortier: First, I want to come back to the fact that the department identified needs to continue the work on the immigration—

Mrs. Stephanie Kusie: You released the money.

Hon. Mona Fortier: There is a policy on the management of procurement. The officials identified the needs to make sure that they could deliver on the ambitious agenda that there is for immigration. Therefore, the department went through the procurement process. That's the requirement definition that I identified. Then they did the planning and the tendering. Evaluation and contract management is being done by the department.

I would encourage you to ask that question of Minister Fraser and his department on the delivery of the mandate.

Mrs. Stephanie Kusie: I appreciate that.

I would also certainly be interested in asking Minister Fraser what he thought about the outburst that we saw in the House of Commons earlier today from that distraught individual who's clearly beside himself about his family in Afghanistan as a result of the failure of your government.

President, the work being provided by McKinsey for federal departments has been described as “generic”, “vapid” and “not realistic” by sources reported in the media.

What role has your organization played in ensuring that these contracts add value to the public service?

Hon. Mona Fortier: I might ask my official to complement the answer I'll give.

We do have a very rigorous procurement process. The policy and directive that Treasury Board determines gives the departments the opportunity to go through that process. Therefore, we have a strong directive. We will, of course, with the review, see if there's a way to strengthen it.

I'll ask my official if he wants to add anything to complement my answer.

Mr. Roch Huppé: Absolutely. As I mentioned earlier, we have a decentralized model, and there is different accountabilities.

The business owners, the owners of the contracts, have the accountability to manage the contracts, to make sure that the services they are receiving are actually in line with and of the quality that is outlined in the contracts. For example, before any payment could go out, the responsible manager for the contract needs to validate that information, and the financial officers releasing the money in those departments have controls in place to ensure that what we call “section 34” being done by the manager is actually being done with due diligence.

There are processes to validate that. If there are performance issues, they need to be documented. We have processes to deal with that, because we run into situations where there will be performance issues with some vendors. There are also processes that are utilized to address these performance issues.

Mrs. Stephanie Kusie: I do recall section 34 and signing for that in my time in the public service. You are taking me back here.

President, the contract with McKinsey to transform IRCC cost taxpayers over \$27,000 per day.

In your opinion, how is this work more affordable than expending the capacity of the public service to do this work?

Hon. Mona Fortier: I would ask that you send that question to the officials from the department who contracted McKinsey to do the work. I understand there are many public servants working in the department. It complements the work they need to do to deliver the programs and services. It would be best to ask the department as it contracted with McKinsey.

Mrs. Stephanie Kusie: However, it's up to the Treasury Board to determine when outside consulting services are used, so how have you been ensuring that none of the over \$100 million awarded to McKinsey could not have been conducted internally?

The Chair: Please give a very brief answer.

Hon. Mona Fortier: Again, there's a procurement process, and each department has a threshold. There's a threshold that is identified for them to work with. In this case, IRCC and the officials went through that procurement process.

Mrs. Stephanie Kusie: Thank you.

The Chair: Mr. Bains, we'll go over to you, please, for five minutes.

Mr. Parm Bains (Steveston—Richmond East, Lib.): Thank you, Mr. Chair.

Thank you, Minister and your staff, for joining us today.

When it comes to consulting contracts, what measures are in place to prevent a conflict of interest?

• (1720)

Hon. Mona Fortier: Thank you. It's nice to see you online.

As you probably know, and we've shared a couple of times already, there are multiple layers of policies and controls in place to really ensure that conflicts of interest do not occur within the public service. It ranges from the values and ethics code to the directive on conflict of interest.

As you know, ministers, parliamentary secretaries, political staff and other reporting public office holders, are governed under the Conflict of Interest Act to ensure that conflicts do not occur in procurement or other policy-making areas. Therefore, this is how we have those measures in place.

Mr. Parm Bains: Do you have reason to believe, from a procurement process perspective, that anything was done incorrectly by awarding those contracts?

Hon. Mona Fortier: We currently have no reason to believe anything was done incorrectly by the awarding of these contracts from the perspective of our current procurement processes, which I've shared with you this afternoon. They are rigorously followed by public servants. Minister Jaczek and I are currently conducting a review to ensure that all policies are followed adequately and what, if any, changes need to be made to strengthen the procurement framework.

I welcome the committee to share its recommendations, so we can continue to strengthen that framework.

Mr. Parm Bains: Okay.

With respect to McKinsey, when the government contracts with McKinsey, what measures are in place to ensure that government information is not shared with other organizations that contract with McKinsey?

Hon. Mona Fortier: I will ask the official to answer your question specifically.

Roch.

Mr. Roch Huppé: Basically, the information the suppliers have access to is based on a need to know, and there are usually clauses in the contract that define the use of the information that would be permitted. Again, that information is protected. There's also a different set of rules under the Access to Information Act that would come into play.

There are mechanisms that are used to ensure that the information is protected.

Ms. Catherine Luelo: I would just add comments to complement Roch's answer.

We do complete privacy impact assessments for programs that occur within government. That is an overarching.... Anybody who has their hands or fingers on a specific program would be part of that review. That is typically done at the front end of a program.

Mr. Parm Bains: Okay.

Just to stay with the secretariat officials here, who defines the bid requirements for proposals that are published by the government?

Mr. Roch Huppé: The business owner will define the requirements that are needed. When they decide they need external assistance for the reasons that they do, the managers themselves will decide exactly what they're looking for from a service. They will define the actual bid requirements, usually.

Mr. Parm Bains: Then what safeguards are in place to ensure that these requirements are created in a fair, open and transparent fashion?

Mr. Roch Huppé: Again, there are different ways that you can define the bid requirements. If you're not exactly for certain.... You may not know exactly what's out there. You know what you need. There are industry days that you can conduct in an open, fair and transparent way, where you will tap into that knowledge to see what exists out there and what kinds of services you could be receiving. There are requests for information that departments can use—again, in a very open and transparent way—to help them define exactly what they're looking for to ensure that they're going to get the most value in the outcome of the contract.

Mr. Parm Bains: If I can sneak this in.... Who evaluates each bid to ensure that it matches the bid requirements and provides the best value for money?

Hon. Mona Fortier: A senior official is identified, per department, to undertake that evaluation. Every department identifies that senior official.

Mr. Parm Bains: Okay. Thank you.

The Chair: Thank you, Mr. Bains. I'm afraid that's it.

We'll have Mr. Genuis for five minutes, please.

• (1725)

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Thank you.

Minister, I want to confirm that you said that your report on McKinsey procurement will be made public by June 30. Is that correct?

Hon. Mona Fortier: If I'm asked to present it publicly, I will.

Our officials and I have sent out a letter to the departments to send us—

Mr. Garnett Genuis: I'm sorry, Minister. I know the particulars of the review, so I don't need those reviewed.

Hon. Mona Fortier: I would just like to explain the process, if it's possible.

Mr. Garnett Genuis: You've already explained it.

Will you be making this public, or have you not determined yet if you're going to make it public?

Hon. Mona Fortier: I think in this case, because we want to make sure that we're transparent, we will be making this public.

Mr. Garnett Genuis: Okay, so the report will be public.

Hon. Mona Fortier: Yes.

Mr. Garnett Genuis: Before June 30...?

Hon. Mona Fortier: Not before June 30. We are engaging to have the report done by June 30.

As you know, we're asking departments to send us—

Mr. Garnett Genuis: Okay, it will be done by June 30. It will be made public at some point after that.

Hon. Mona Fortier: We are expecting to be done by June 30, and I'm hoping to be able to make it public as soon as possible after we have done the report.

Mr. Garnett Genuis: Okay.

Would you call your review an independent review?

Hon. Mona Fortier: We will be doing the review, as asked by the Prime Minister, to—

Mr. Garnett Genuis: Would you describe it as an independent review, though?

Hon. Mona Fortier: Yes. I have independent auditors in the different departments.

Mr. Garnett Genuis: Okay, but will you—

Hon. Mona Fortier: As I said earlier—

Mr. Garnett Genuis: —hold the pen, ultimately, on the report, or will the auditors hold the pen on the report?

Hon. Mona Fortier: The department will be holding the pen on the report.

Mr. Garnett Genuis: Okay.

They'll prepare the report. They'll release the report. There won't be any political involvement in the contents of the report, or will there be?

Hon. Mona Fortier: As you know, I've been tasked by the Prime Minister, so I think that it will be a shared responsibility where we will be making sure that we go through the department and—

Mr. Garnett Genuis: Will you share the contents of the report with the Prime Minister and his office prior to its being released publicly?

Hon. Mona Fortier: I have not decided how I'm going to go through it, but I can tell you that the report will be done according to the review we are undertaking with—

Mr. Garnett Genuis: Okay.

Hon. Mona Fortier: —the different departments.

We've also asked the ministers to ask the Crown to—

Mr. Garnett Genuis: Thank you.

Minister, if you were to conclude that ministers or the Prime Minister had engaged in wrongdoing, do you think you would remain in cabinet after coming to those conclusions and making them public?

Hon. Mona Fortier: I am very proud of this mandate that I have received from the Prime Minister to make sure that we have the right procurement processes in place. I also welcome the procurement ombudsman sending his recommendations and report.

I also encourage—

Mr. Garnett Genuis: Minister, I don't think you're answering the question.

I also think it's pretty clear that it's not an independent report.

Hon. Mona Fortier: —the Auditor General, if she wishes to do so, to bring forward a recommendation.

Mr. Garnett Genuis: The Auditor General's report will be independent, and that's why the Conservatives called for it.

Hon. Mona Fortier: Also, during my opening remarks and throughout this meeting, I have informed the committee that I will welcome the recommendations from the committee.

Mr. Garnett Genuis: Thank you, Minister.

I want to go in a different direction now. I think it's pretty clear that there is nothing independent about the review you're doing, but I'll let the public judge that based on the exchange.

Do you think that McKinsey is an ethical company?

Hon. Mona Fortier: I don't have to evaluate McKinsey at this time.

As the President of the Treasury Board—

Mr. Garnett Genuis: You're—

Hon. Mona Fortier: —I need to have a procurement process in place, which the department—

Mr. Garnett Genuis: Minister, I want to press you on answering this specific question, though, because McKinsey has been involved in some really incredible practices around the world and here in Canada. We all have responsibilities, as human beings, to evaluate those things, regardless of the office we hold.

Do you believe, based on what you know, that McKinsey is an ethical company?

Hon. Mona Fortier: I would like to remind Canadians who are watching right now that, in 2015, the previous government brought forward an—

Mr. Garnett Genuis: Minister, could you answer the question?

Hon. Mona Fortier: I am responding to the question.

Mr. Garnett Genuis: Do you think that McKinsey is an ethical company?

Hon. Mona Fortier: I believe we have an integrity regime that gives us the opportunity—

The Chair: Excuse me, Minister. We have a point of order.

Go ahead, sir.

Mr. Majid Jowhari (Richmond Hill, Lib.): I appreciate that our colleague.... It's fair to ask the minister a question and to hold the minister and the government accountable, but I would really appreciate it if the colleague allowed the minister to at least start the response to the question.

Thank you.

Mr. Garnett Genuis: On that point of order, what a farce. I control this time. I asked the minister a direct yes-or-no question. She didn't answer it, and now her colleagues are trying to jump in to provide cover and buy time.

It's a pretty basic question. The minister doesn't have the right to go off on completely unrelated tangents when I ask a specific question.

The Chair: Let me interject quickly.

I have stopped the clock, but it is not a point of order. It is the member's time. However you or any other party wishes to maintain their time, that is their right.

Please go ahead, sir.

Mr. Garnett Genuis: Thank you, Chair.

Minister, it's a yes-or-no question. Is McKinsey an ethical company, in your view?

Hon. Mona Fortier: My answer sticks to the fact that, in 2015, the previous government brought forward an integrity regime. I believe that gives us the tool to make sure that we have businesses that can function with—

• (1730)

Mr. Garnett Genuis: Right, but let's assess the company. That will help us understand if the integrity regime is working properly or not, because it's not just about whether it fits within the rules—

Hon. Mona Fortier: My responsibility as President of the Treasury—

Mr. Garnett Genuis: —it's about objectively....

Put aside the legalese, Minister. In your view, is this company an ethical company?

Hon. Mona Fortier: As the President of the Treasury Board, I bring forward the directive on procurement management—

Mr. Garnett Genuis: As a human being, do you think the company that advised Purdue Pharma on how to turbocharge the opioid crisis is an ethical company or not?

Hon. Mona Fortier: As the President—

Mr. Garnett Genuis: As a human being, do you believe that?

Hon. Mona Fortier: As the President of the Treasury Board, I have the responsibility for having the right and rigorous procurement processes in place for the Government of Canada.

Mr. Garnett Genuis: Why can't you just say yes or no? If you think it is an ethical company, say "yes". If you think it isn't, say "no".

Is McKinsey an ethical company?

Hon. Mona Fortier: As I am answering the question, my answer is the fact that, as President of the Treasury Board, I am responsible for the procurement process and the—

Mr. Garnett Genuis: Did you say yes or no, Minister? Is it an ethical company? Answer yes or no.

Hon. Mona Fortier: I have answered by saying that we have, since 2015—

The Chair: I think on that, I have to end your time.

Mr. Jowhari, you have five minutes, please.

Mr. Majid Jowhari: Thank you, Mr. Chair.

Thank you, Minister, for your level of professionalism, and thank you to your officials as well.

Minister, for the past hour, all the colleagues have been focusing on getting an understanding of the policies and the scope of the work done by the Treasury Board, which is under your leadership. We've talked about the safeguards. We've talked about outsourcing. We've talked about the strategic direction that the government has taken.

A number of colleagues have talked about how the outsourcing has increased. They're referring back to 2011 and 2022. I had an opportunity to look at these numbers, and I'd like to share what I see. I'd like to have your official thoughts on it.

I see that between 2011 to probably 2013, some of the cuts and austerity measures were starting, especially around essential services, with the previous government. Around 2013 and 2014, the previous government was getting ready for an election. They had hoped for a balanced budget. That didn't happen.

Between 2016 and probably 2019, I see our government coming in with transformative years around some of the policies, specifically around digital government. This is something that was the mandate of the Treasury Board. During 2020 to 2022, we had to change our role from a transformative role into a more supportive one. If you look at some of the cuts to the civil service during the years of 2011 to 2015, this is very much indicative of the austerity measures that the previous government brought in.

You've explained everything, but I believe one thing we could get some insight on is this: What changed between 2011 and 2020 that required that type of resourcing supplement from external consultants?

Hon. Mona Fortier: Thank you for your important question.

I will say that, since we've formed government, we've had a very ambitious agenda. First, it was to protect the social safety net and make sure we have programs that support all Canadians. We also needed to continue to transform. I might let Catherine Luelo share the digital transformation that we are now, today, pushing forward with and working with the public service on. I would say that this is what we've been doing since 2015. We've been making sure that we bring to Canadians some programs and services that will help grow the economy and make sure that they have good jobs.

One thing that's been on my mind all the time, though, since I've had this mandate is the transformation of our digital government. That is something that is a priority. I also have it in my mandate letter. I'm making sure that we are moving forward. The thing is that we need outsourcing and the public service to complement each other, to make sure that we push our "Digital Ambition" agenda. We need more. It will take some time, but we do have many important projects going on.

I'll let Catherine share the three major ones that we have right now.

• (1735)

Ms. Catherine Luelo: Thank you, Minister.

To your point, digital ambition really outlines the plan for government. It's available publicly on canada.ca. That will allow us to deliver government in a digital age. Canadians have come to expect that. That accelerated particularly during COVID, and that's not changing. The challenge is that we have systems like old age security that should be on old age security. A big component of this plan is dealing with the technical debt situation that we have in the government.

To the minister's point, we have the program within our Economic and Social Development Canada team, the ESDC, that is replacing our old age security, CPP and EI systems. That is a complex, multi-year—

Mr. Majid Jowhari: I'm going to apologize for interrupting you. I have only 15 seconds left.

Is it fair to say that we are accelerating because we also need to accelerate the services that we are providing to Canadians?

Ms. Catherine Luelo: Digital is all about service. That's an accurate statement.

Mr. Majid Jowhari: Thank you.

The Chair: Thank you, sir.

Mrs. Vignola, you have two and a half minutes, please.

[*Translation*]

Mrs. Julie Vignola: Thank you very much, Mr. Chair.

Ms. Fortier, were you or any of your senior officials ever contacted by representatives of McKinsey and Company?

Hon. Mona Fortier: No. Nobody from my departmental team was contacted.

As for other staff, I believe Ms. Luelo has had conversations with McKinsey representatives.

[*English*]

Ms. Catherine Luelo: Yes, I've had discussions with McKinsey. Simply, in my involvement in the Canadian ecosystem, McKinsey is a vendor that I dealt with in the private sector. I had one conversation when I started and it was part of the Phoenix discussion with McKinsey when they presented their outcomes.

[*Translation*]

Mrs. Julie Vignola: Was it you or someone from McKinsey who requested this conversation?

[*English*]

Ms. Catherine Luelo: Concerning the discussion related to Phoenix, I was invited. The discussion with them when I first started was an email exchange. It very well could have been initiated by me, but I'd reached out to all of the partners that I'd worked with within the Canadian marketplace.

[*Translation*]

Mrs. Julie Vignola: When you receive a request like this, do you always check to see whether the company is on the lobbyists list?

[*English*]

Ms. Catherine Luelo: My office does that check.

[*Translation*]

Mrs. Julie Vignola: Okay.

Ms. Fortier, Were any policies, objectives or regulations created or changed further to recommendations made by McKinsey or by any of its members sitting on the board of directors for an economic lobby group or on any other boards of directors?

Hon. Mona Fortier: The Treasury Board has not made any commitments to McKinsey & Company. The answer is therefore no.

Mrs. Julie Vignola: How about more generally in the government?

Hon. Mona Fortier: I am not aware of every kind of approaches that may have been made by McKinsey to the departments. You

would have to ask the departments that received services from the company.

Mrs. Julie Vignola: Thank you.

[*English*]

The Chair: Thank you.

We have Mr. Johns for two and a half minutes, please.

Mr. Gord Johns: Thank you.

We know that a consultant's job is to make sure that they have work and that they're going to create jobs for themselves in the future.

The public service is there to hold truth to power. It's important. One of the consequences of outsourcing that's been brought up by other experts in their testimony at this committee is the profit margin that these consultants make. The result is that Canadians pay more for services than less.

Has the Treasury Board Secretariat made any attempts to calculate or estimate the total value lost due to outsourcing contracts, and if so, what was the amount reached? I guess I'm specifically talking about the profit margin consultants take and the fees charged by middlemen who subcontract the responsibilities away.

Hon. Mona Fortier: Again, I might bring you back to the fact that deputy ministers are responsible for ensuring the careful, responsible stewardship of public funds and that the departments have the tools to assess the performance of the contracts. Also, as you probably know, the lowest price is not always the best value, so it's important that it's—

Mr. Gord Johns: Okay—

Hon. Mona Fortier: It's important for you to know that it is through the deputy ministers.

Mr. Gord Johns: I don't think that answer gives a lot of confidence, given what's going on with the amount of subcontracting. We've seen example after example. I'm concerned that the Prime Minister's commitment in 2015 has totally fallen off the chart and that both you and Minister Jacek feel confident about the course you're taking and that the morale of the public service is fine. That's not what we're hearing.

The public service, we know, is mired in excessive rules and oversight, which makes it difficult for public servants to move quickly and be innovative. This is part of a government obsession with risk aversion, and it makes it incredibly difficult to do anything at all. A public servant in 2021 needed to produce 45 different documents, almost 40,000 words, just for a simple four-page website listing of government services.

Why don't you trust public servants to use their judgment and exercise their creativity and innovation, but you trust consulting companies to do both?

● (1740)

Hon. Mona Fortier: First off—

The Chair: Give a short answer, please.

Hon. Mona Fortier: —I would really like to state the fact that the public service has the talent and the expertise. We have just been through difficult times, and they have delivered. I cannot start saying how we can complement the work the public service is doing to make sure that we drive and we deliver our very ambitious agenda.

The Chair: Thank you, Minister.

Mr. Genuis, go ahead, please.

Mr. Garnett Genuis: Thank you.

Minister, McKinsey worked for Purdue Pharma for 15 years. In the course of that time, McKinsey provided advice to Purdue Pharma on how to turbocharge the opioid crisis. That advice included offering bonuses to pharmacists for overdoses. McKinsey had to pay over half a billion dollars in compensation in the United States for that. They've paid no compensation thus far in Canada. They have also done work for Russian and Chinese state-owned companies, including ones under sanctions.

I've asked you this several times. You haven't answered it. I will ask you one more time and give you 60 seconds of uninterrupted time to answer.

Do you believe that McKinsey is an ethical company, yes or no? I'll go over to you.

Hon. Mona Fortier: Again, I will respond in the same way that I have since the beginning. We've had an integrity regime since 2015 that was voted in by the previous government. We are utilizing this integrity regime to make sure that it holds the suppliers accountable for their misconduct. We know that it also encourages co-operation with legal authorities and the taking of corrective actions if necessary.

Under the integrity regime, as you know, a supplier that has in the past three years been convicted of an offence listed in the ineligibility and suspension policy will be declared ineligible for a period of 10 years. That's what we have in our directive. At this time, McKinsey is not deemed to be an ineligible supplier under the integrity regime.

Mr. Garnett Genuis: Thank you, Minister. That was the 60 seconds.

Now, I think it's pretty clear that you did not answer the question about whether you think McKinsey is an ethical company. We have to evaluate here whether this integrity regime you're talking about is actually working. I would put it to you that if a company like McKinsey, with all they've done—fuelling the opioid crisis, advising Chinese and Russian state-affiliated companies—passes your integrity regime, then we have a problem with the integrity regime.

Do you think the integrity regime as it presently exists is working well, yes or no?

Hon. Mona Fortier: I believe that the integrity regime that was put in place by the previous government and continued with this government.... If we want to look at it again, that is something you might want to recommend in your committee's report. I will welcome that.

Mr. Garnett Genuis: In your view, though, is it working well?

Hon. Mona Fortier: I would inform you that Minister Jaczek is the one responsible for the regime, and she would be best placed to answer.

Mr. Garnett Genuis: Minister, you're a minister of the Crown. I'm asking you to have opinions on these things, not just tell me what the law says.

Is an integrity regime that allows a company like McKinsey to be approved a functioning integrity regime in your considered opinion?

Hon. Mona Fortier: My considered opinion is the fact that we will be reviewing the integrity regime—as we are going through many reviews right now—to make sure that the government is accountable for the work we are doing for Canadians.

Mr. Garnett Genuis: Is that part of your review, the quality of the integrity regime?

Hon. Mona Fortier: I understand that we are currently.... I'm sorry, Minister Jaczek is best placed, of course, to be asked directly. I understand that we are always reviewing the policies that we have, and we can—

• (1745)

Mr. Garnett Genuis: Oh, so there's no specific review going on of the integrity regime.

Hon. Mona Fortier: I can tell you that there is some work being done to make sure we have a strong integrity regime in place.

Mr. Garnett Genuis: Okay, so you won't tell me if you think McKinsey is an ethical company and you are not prepared to say whether the integrity regime is working. It seems to me that it's fairly obvious. This is a company that advised paying bonuses to pharmacists on the basis of overdoses. I don't think it takes a moral philosopher to understand that's wrong and unethical.

Hon. Mona Fortier: I would like to come back to the fact that, as the President of the Treasury Board, there is a directive for procurement management.

Mr. Garnett Genuis: It sounds like you're just here to follow processes and instructions, not to evaluate the ethics and morality of this company.

Do you think you have a responsibility, as a minister of the Crown, to make ethical and moral judgments, or do you think you just have a responsibility to implement existing policy frameworks?

Hon. Mona Fortier: I have a responsibility to make sure we have the right directives in place. We have laws in place, and I'm following them.

Mr. Garnett Genuis: Right. Are the existing directives working then?

Hon. Mona Fortier: Currently, as we know, I've been asked to review the directive on procurement management, and we will do that. I understand that we have some letters that were sent to departments to make sure we can receive that information—

Mr. Garnett Genuis: Here we go again into the process.

Hon. Mona Fortier: —and I will be doing that review—

Mr. Garnett Genuis: Can I just ask one more unrelated question, Minister?

You've talked about how the growth and contracting out has been proportionate to the growth in the public service. The reality is, though, we have seen both dramatic growth in the public service and dramatic growth in contracting out and a decline in the quality of services. In a way you would think those things would be inversely related—if you saw more public servants, you'd see less contracting out and vice versa—but you're presiding over dramatic growth in spending in all areas, as well as a decline in the quality of services.

How do you justify that there is dramatic growth in the public service and in contracting out and a decline in services at the same time?

Hon. Mona Fortier: As you know, our government has set a very ambitious agenda in infrastructure in protecting the environment with climate change being real. We also are making sure that—

Mr. Garnett Genuis: Minister, my question is not about climate change. It's about quality of service.

The Chair: I'm sorry, Mr. Genuis. We are already past time.

If you could, just wrap up briefly, Minister.

Hon. Mona Fortier: I've wrapped up.

The Chair: Great. Thanks.

Mr. Kusmierczyk, go ahead, please.

Mr. Irek Kusmierczyk: Thank you, Mr. Chair.

Thank you so much, Madam President, for your excellent responses to some tough questioning.

I want to allow you the opportunity to respond again to an earlier question. You were describing the integrity regime, specifically as the integrity regime related to addressing companies that had been found guilty of wrongdoing abroad. You were beginning to talk about the integrity regime that is currently in place and also how it relates to McKinsey being ineligible for contracts or being eligible for contracts.

I'm wondering if you might be able to repeat the response you were providing for the committee but were interrupted multiple egregious times as you were trying to provide that response.

Hon. Mona Fortier: Thank you for that.

I think I've been pretty clear that, since 2015, the previous government introduced the regime to ensure that government does business only with ethical suppliers in Canada and abroad. PSPC is the one that runs the regime on behalf of the government. I believe that Minister Jaczek did have a chance to share her views and approach on Monday.

PSPC determines whether a supplier is ineligible to do business with the government. As I said earlier, some offences lead to automatic ineligibility while others lead to a case-by-case review. Just so everybody knows, this is applied for procurements that are over \$10,000.

The integrity regime is also applied across government and through agreements between PSPC and other federal departments and agencies. There are three parts. Surely Minister Jaczek shared

that with you, but the three parts are the ineligibility and suspension policy, the integrity directives and the integrity provisions.

There is currently work that is done to make sure the integrity regime is updated. I believe Minister Jaczek will probably bring forward some views about enhancing or strengthening the integrity regime.

I hope that answers your question.

• (1750)

Mr. Irek Kusmierczyk: That's perfect. Thank you very much, Madam President.

I want to turn to our TBS officials.

Since 2015, we've seen 60,000 full-time employees hired for the public service, and we've invested an additional \$20 billion into our public service since 2015. I know that one of my colleagues likes to paint the picture that we are investing in consultants to the detriment of investments in the public service, but I would say that the numbers show that it's quite the opposite: hiring 60,000 full-time employees in the public service and a \$20-billion additional spend since 2015.

My question is for the officials. Some are suggesting that outsourcing is out of control. What do the numbers show from your vantage point?

Ms. Catherine Luelo: I'll speak to that from a technology perspective.

I think your point that there has been investment in the public service resonates with me, for sure.

Part of what we're focused on from a digital government perspective is ensuring that the tools we provide all public servants are modern and that we provide the opportunity for Canadians to be able to use them and serve themselves as they see fit, in a digital way. Passports are an example. This summer we'd like to provide a more digital experience, end to end, for Canadians.

The numbers that you share resonate. We also can't tackle, certainly in the technology space, the amount of work without having some augmentation.

I'll leave my comments there.

The Chair: That's our time, Mr. Kusmierczyk.

Thanks very much.

Minister, thanks for being with us.

I have a couple of questions for Mr. Huppé if my colleagues do not mind.

Mr. Huppé, did you hold a meeting last Thursday with the CFOs?

Mr. Roch Huppé: Yes.

The Chair: Did you advise the CFOs—and I'm going to be quoting—"Be careful what you write down. It will find its way out through an ATIP."

Did you say that?

Mr. Roch Huppé: Indeed, I cautioned people that, as public servants, we need to remain very factual in what we say. Emails are not necessarily the place to write personal opinions on different subjects.

The Chair: Did you say the words, "Be careful what you write down"?

Mr. Roch Huppé: Be careful what you write down—absolutely.

The Chair: Do you not think it violates the intent or the spirit of the Access to Information Act if you advise senior public officials not to write things down for fear they'll show up in an ATIP?

Mr. Roch Huppé: Absolutely not.

The Chair: You don't believe that's a violation of the spirit—

Mr. Roch Huppé: What I said is that they need to remain very factual. They have to be careful in what they are writing down.

The Chair: Did you use the words, "Be careful what you write down. It will find its way out through an ATIP"?

Mr. Roch Huppé: I don't remember exactly what I said, to be honest with you, but I did caution people that, as we're dealing with sensitive situations, they need to remain very factual.

The Chair: I am greatly worried that, as the Information Commissioner stated, there's a culture of secrecy and it appears that you are leaning toward that.

Today you sent out an email to deputy heads, CFOs and the chief audit executives. I'm just going to ask if you'll share it with the committee. You said that on February 15, every department and agency is required to submit the information attached in an Excel spreadsheet for contracts for which McKinsey has contracting authority for... You mentioned the 15th.

Will you share that with this committee, please, as part of our study?

• (1755)

Mr. Roch Huppé: I think the committee's already asking for basically the same type of information for—

The Chair: I'm asking if you'll provide this.

Can I have committee approval to ask that you provide us with that Excel document that you've sent out to the CFOs and deputy heads for the 15th?

There's an additional one that you've asked for by March 22, a form or letter to provide to you items under the integrity regime, procurements and procurements conducted in a consistent manner. I'd like the approval of the committee to ask that you provide that as soon as you receive it as well.

Mr. Roch Huppé: The information that we will receive is necessary for us to conduct our review and analysis that will generate the report that we said we would do by June 30.

The Chair: Colleagues, is it the will of the committee that Mr. Huppé provide those as soon as they're received?

Some hon. members: Agreed.

The Chair: I think I have the will of the committee.

The email that you distributed said February 15, so we'll expect it to the clerk on the next day. The other document, which is a Word document, will be by March 22.

Tomorrow you are meeting with the chief audit executives on the McKinsey study. Would you provide us with the minutes immediately when they are ready after tomorrow's meeting, after your meeting with the audit executives?

Mr. Roch Huppé: Super. Give us time to write the minutes but we will definitely do that.

The Chair: That's perfect.

Is it the will of the committee that that be provided to the committee?

Some hon. members: Agreed.

The Chair: That's perfect. Tomorrow is Thursday, so perhaps Friday or Monday you can have them sent to our clerk.

Thank you very much, witnesses.

Ms. Luelo, it's nice to see you again. You're a former constituent.

Again, let me just express my extreme displeasure over the comments made about perhaps hiding things from access to information and continued secrecy from that level.

Thank you, everyone. Unless there's anything else, we will be suspending to bring in a new witness.

• (1755)

(Pause)

• (1755)

The Chair: Colleagues, we'll now continue.

I wish to welcome Ms. Hudon to OGGO.

Do you have an opening statement for us, for five minutes?

Ms. Isabelle Hudon (President and Chief Executive Officer, Business Development Bank of Canada): Yes, I do.

Thank you, Mr. Chair.

[*Translation*]

Dear members of the committee, good afternoon.

For more than 75 years, BDC, the Business Development Bank of Canada, has played a critical role in the Canadian economic landscape, being the only bank exclusively devoted to entrepreneurs. We lend to Canadian small and medium-sized enterprises, SMEs, we advise them and we invest in them.

Our role is one of development, where we act in complementarity with private sector lenders and fill important gaps that the market can't. This is a role that our teams perform with exemplary rigour and efficiency.

As a result, far from being a burden for taxpayers, our activities are profitable and have allowed us to have paid \$1.3 billion in dividends to our shareholder, the Government of Canada, since 2011. Above all, our activities benefit our 95,000 clients, who rely on us to grow their business and, in the process, contribute to the prosperity of the country.

The pandemic has been a defining moment in BDC's recent history. Without a significant increase in our workforce and within a demanding context, we supported more than 25,000 new clients. In doing so, the pandemic concretely demonstrated BDC's expertise and the potential to support an even greater number of entrepreneurs.

During the summer of 2021, Canada was still facing a tumultuous economic context, and the BDC team felt compelled once again. It is at this moment that I joined BDC. Driven by the ambition to have an even greater impact, we embarked, with the members of our board of directors, on a strategic review. It was in the context of this exercise that we made the decision to seek the services of a consulting firm.

It was clear, both for me and my team, that we held the leadership and full ownership for this review. However, we were also convinced that to conduct this exercise with the rigour and scale it deserved, the use of an external firm would prove useful. This process would help us refine and confirm our understanding of the future. It would also provide us with the perspective of other development banks around the world and expose us to best practices. This would equip us with the best possible tools to begin the next phase of implementation, because there was never any doubt that BDC would assume full responsibility for the execution of the strategy.

Our intention to work with an external firm therefore resulted in the launch of a formal, competitive, and rigorous call for tenders, at the end of which the selection committee made the decision to retain McKinsey. Their work started in 2021, and ended in the summer of 2022. Assessing the value for money of this contract calls for a two-step analysis: short-term and long-term.

In the immediate sense, I can tell you that this process has allowed us to adopt a renewed, ambitious and inspiring strategic vision of what BDC can do for Canada over the next ten years. The external firm helped us increase our capabilities and carry out the strategic exercise in parallel with our day-to-day operations. It was essential for me that the consultants work in synergy with my colleagues. This approach has enriched our strategic thinking, widened our perspectives, and facilitated meaningful knowledge transfer.

Longer term, I have the firm conviction that in a few years, we will look at this exercise the same way that we look today at the

origin of the success of BDC Capital. Developed 11 years ago with the help of consultants, this ambitious strategy has enabled BDC Capital to play a leading role in growing the Canadian venture capital market from \$1 billion in 2009 to nearly \$15 billion in 2021. That contract was assuredly a good investment—for BDC and for the Canadian economy.

It is obviously too early to reach similar conclusions regarding the contract that has just ended. But I can assure you of one thing: bringing to life the ambitions of our strategic vision and the full realization of our mandate as a development bank are at the heart of all the decisions we make.

With that, it will be my pleasure to answer your questions.

• (1800)

[*English*]

The Chair: Thank you, Ms. Hudon.

We'll begin with Mr. Paul-Hus for six minutes, please.

[*Translation*]

Mr. Pierre Paul-Hus: Thank you, Mr. Chair.

Good afternoon, Ms. Hudon.

Firstly, before you joined BDC, did you have any personal relations or contacts with people who worked for McKinsey?

Ms. Isabelle Hudon: No.

Mr. Pierre Paul-Hus: In your opening address, you mentioned that the board of directors had decided to do business with an external firm to obtain consulting services that could provide guidance to BDC on policy directions.

Is that correct?

Ms. Isabelle Hudon: What I said was that the board of directors had supported the idea of launching a strategic review, and that it had also supported the decision to use external consultants.

• (1805)

Mr. Pierre Paul-Hus: Where did this idea come from?

Did it come from you?

Ms. Isabelle Hudon: We discussed the idea together, by which I mean the members of the board of directors and me.

First of all, when I joined the organization, the team had just undergone an 18 month period during the pandemic, and as I said, the team wanted to be able to continue to provide services...

Mr. Pierre Paul-Hus: Okay.

Since you mentioned the team, there were reports that people on the inside were really angry when they learned that you had decided to award a \$4.9-million contract to McKinsey to make strategic planning decisions. You said that your board of directors was in favour of the idea, and you alluded to a selection committee.

Who was on the selection committee that decided to award the contract to McKinsey?

Ms. Isabelle Hudon: With respect to those who were in disagreement, I heard about them as you did. However, since my arrival, we've gained some additional support in terms of employee engagement. Prior to my arrival, the level of employee engagement was 86%, and it is now 88%. But I will admit that there are those who are who are unhappy about it.

As for the board of directors, the members endorsed the idea, and the proposal to launch a strategic review. They were actively involved in the exercise, along with 400 of my BDC colleagues.

Mr. Pierre Paul-Hus: There were 400 of your colleagues participating in...

Ms. Isabelle Hudon: ... the exercise...

Mr. Pierre Paul-Hus: ...the exercise related to the call for tenders.

Is that what you mean?

Ms. Isabelle Hudon: No, not that.

Mr. Pierre Paul-Hus: Okay.

Ms. Isabelle Hudon: They took part in the strategic review exercise.

Mr. Pierre Paul-Hus: I'm getting back to the question I asked earlier.

Who was on the selection committee?

Ms. Isabelle Hudon: Seven members of my team...

Mr. Pierre Paul-Hus: Who?

Ms. Isabelle Hudon: Seven members of the management team...

Mr. Pierre Paul-Hus: What are their names?

Ms. Isabelle Hudon: ... or people on the management team.

Mr. Pierre Paul-Hus: Can you tell us their names?

Do you know the names of those seven people?

Ms. Isabelle Hudon: They were Michel Bergeron, Stéphane, Pierre, Karl, Maude from the procurement sector, and Anouk.

Mr. Pierre Paul-Hus: Where the people on the selection committee also members of the board of directors?

Ms. Isabelle Hudon: No.

Mr. Pierre Paul-Hus: They are other people who work...

Ms. Isabelle Hudon: Members of management or senior management.

Mr. Pierre Paul-Hus: So, people who work at BDC.

You said that the bidding process was open and transparent.

Were there any particular criteria that might have been preferential to McKinsey?

Ms. Isabelle Hudon: We always use the same matrix of criteria for tender calls. None had been changed to favour any particular firm.

Mr. Pierre Paul-Hus: So you are confirming that there were no discussions with the Government of Canada, the Prime Minister, or the Prime Minister's Office concerning McKinsey.

Is that correct?

Ms. Isabelle Hudon: None whatsoever.

Mr. Pierre Paul-Hus: All right.

The process that led to the selection of McKinsey caused some frustration internally.

Where did the discord, following the decision to retain the services of McKinsey, come from?

Was it from senior officials?

Ms. Isabelle Hudon: No one ever expressed any frustration to me personally, Mr. Paul-Hus.

Mr. Pierre Paul-Hus: All right.

You were never told directly of any frustration, but who talked to the media and told them about their dissatisfaction with your decision, your board of directors' decision?

Do you know?

Ms. Isabelle Hudon: I can't corroborate anything that was said on the matter, because the sources were anonymous.

• (1810)

Mr. Pierre Paul-Hus: Okay.

In connection with the names I asked you for earlier, could you send the list of the seven people who were on the selection committee, to our committee following the meeting?

Ms. Isabelle Hudon: Of course.

Mr. Pierre Paul-Hus: I would imagine that information about the BDC board of directors is public.

Is that the case?

Ms. Isabelle Hudon: It is.

Mr. Pierre Paul-Hus: The question being raised now is related to the fact that the Government of Canada did business with McKinsey to obtain several analyses and determine the government's policy directions.

According to you, did BDC deal with a company like McKinsey because there were no internal resources available, that there would be no opportunity to have an internal team to prepare a strategic plan for BDC?

Was it necessary to bring in an outside firm?

Ms. Isabelle Hudon: Using an external firm was the right decision at that time for several reasons.

The component covering current activities for all BDC employees was already quite a burden. Being able to have access to additional data, expertise and knowledge to address internal requirements was, at that particular time, the right decision to make. The country had only just begun to come out of the pandemic, and it was going through a period of economic upheaval. At the BDC, we wanted to be in a position to properly understand what the future would be like for SMEs in Canada.

Mr. Pierre Paul-Hus: My final question will be brief.

Do you know Mr. Dominic Barton personally?

Ms. Isabelle Hudon: I met Mr. Dominic Barton for the first time in 2019.

Mr. Pierre Paul-Hus: Thank you.

[English]

The Chair: Thank you, Mr. Paul-Hus.

We'll now go to Mr. Bains for six minutes, please.

Mr. Parm Bains: Thank you, Mr. Chair.

Thank you to Ms. Hudon for joining us today.

A January 2023 CBC News article explained that the Business Development Bank of Canada ordered a competitive contract for \$2.8 million plus a \$2.1-million extension to McKinsey as part of a strategic review process.

What were the goals of this strategic review?

Ms. Isabelle Hudon: The goal of the strategic review was to help us...or not help us, but for us to be able to understand what the future would be for our SMEs in Canada, and especially how a development bank, such as BDC, could play a greater role to support our SME ecosystem.

It was really to go onward and forward and to better understand what we would need to do differently, more or less, to be the real development bank that BDC has been for the last 78 years.

Mr. Parm Bains: Were you satisfied with the recommendations?

Ms. Isabelle Hudon: I am, to this date, very satisfied with the process. I say this because, of course, McKinsey brought some deep understanding of our sector capacity around analytical skills. I was also very pleased with the process, because more than 400 of my colleagues embarked on the journey along with the executive team and the board of directors. This was the real success of the review.

Mr. Parm Bains: If we were to compare, how was McKinsey's strategic review different from previous ones that were conducted for BDC?

Ms. Isabelle Hudon: I cannot compare, as I joined in 2021, but as I referred to in my opening statement, BDC Capital was able... The vision around BDC Capital 11 years ago is very much comparable to the quality of what was delivered in 2021. The secret is how you deliver on the strategy.

Mr. Parm Bains: You indicated you're quite new. You are the first woman CEO of BDC. How have you been working to support women-led businesses, and what are your goals for the future?

Ms. Isabelle Hudon: I think I'm known and renowned to be passionate about gender parity and seeing more women in key roles having success and reaching success.

For now, we have a bit more than 10% of our portfolio that is supporting underserved clientele, including women. You have probably seen in the last year that we have announced a Thrive platform. It's half a billion dollars totally dedicated to women entrepreneurs. It is there as a development bank to make a real difference for our women entrepreneurs in Canada.

Mr. Parm Bains: The clean technology sector is also growing and becoming increasingly important, as we all know. How is BDC contributing to the development of the clean technology sector in Canada?

Ms. Isabelle Hudon: That's another big success for BDC. BDC Capital launched the first clean-tech fund five years ago. We have just renewed a second fund, the climate fund, with \$400 million. We have now invested up to \$1 billion in the clean-tech sector in Canada.

Mr. Parm Bains: How does BDC determine whether it's going to develop projects in-house or contract them out?

• (1815)

Ms. Isabelle Hudon: We look at our capacity internally, and I have to say, when it's up to delivering projects, it's done internally. When we feel we need to bring extra expertise to the table, that's when we think about bringing in consulting firms.

Mr. Parm Bains: Those are all of the questions I have. Thank you.

The Chair: Thanks, Mr. Bains.

We have Ms. Vignola, please, for six minutes.

[Translation]

Mrs. Julie Vignola: Thank you very much, Mr. Chair.

Thank you, Ms. Hudon, for being here with us this evening.

You spoke earlier about needing to call upon the services of McKinsey and Company or another consulting firm to develop an action plan for the future. Among other things, it was to be able to respond more effectively to what the SMEs were asking for.

Which of the existing practices were obsolete?

Ms. Isabelle Hudon: Thank you for the question.

The purpose of the strategic exercise was not to address any particular weaknesses in the organization. As we had always been there to serve Canadian SMEs for the past 78 years, and as we were just coming out of a pandemic and the working environment had completely changed, we wanted our development bank to be extremely efficient. And we still want to be. I place an emphasis on the word "development", which is part of our name, the Business Development Bank of Canada.

We wanted to look into the future and ask what might have happened in the SME sector as a result of the pandemic, and we wanted to determine what we could do differently or what more we could do for SMEs. The first task, which proved highly useful, was to understand the BDC's part of the market.

Our mandate is to work in tandem with private sector financial institutions. Our role is definitely complementary and we have to understand our part of the market. Not only do we have to quantify it, but also qualify it...

Mrs. Julie Vignola: Thank you very much.

I can understand that there were areas that needed to be clarified after the kind of upheaval that results from a pandemic. At McKinsey and other consulting firms, how many people had already experienced a pandemic and help to deal with the impacts of a crisis of that kind?

Ms. Isabelle Hudon: To be honest, very few people around the world have gone through anything like that.

Mrs. Julie Vignola: Thank you.

My idea of the role to be played by someone in a leadership position, as the head of a company, is precisely to come up with development strategies. I'm hearing consultants being described as specialists, but there are no specialists in pandemics. I think the only specialists in that area are probably historians and epidemiologists.

From among your 400 colleagues and the members of the management team, was there no one who could identify the goals BDC should set, and the extent to which they could achieve them?

Was it really necessary to compare yourselves to others without really knowing what was involved, because McKinsey doesn't disclose information about its clients? It could be information about countries that we are not exactly friendly with, and us being compared to them to determine what we should be doing and how we want to help our own people.

Why not use BDC specialists?

Ms. Isabelle Hudon: First of all, much of the information that led to the strategic review came from inside. What we received from McKinsey was not advice on pandemic management but rather economic advice about SMEs.

McKinsey provided us with comparable international data and data from other development banks. We were also able to increase our team's ability to properly understand data and correctly target areas where we should be doing better and hence do more for our SMEs.

Mrs. Julie Vignola: Could you just remind me of when you joined BDC?

Ms. Isabelle Hudon: It was the summer of 2021.

• (1820)

Mrs. Julie Vignola: How many former McKinsey employees are there on the BDC management team?

Ms. Isabelle Hudon: One.

Mrs. Julie Vignola: Who might that person be?

Ms. Isabelle Hudon: It's Ms. Véronique Dorval.

Mrs. Julie Vignola: Okay.

When was she hired?

Ms. Isabelle Hudon: She was hired less than six months ago.

Mrs. Julie Vignola: All right.

When was the contract awarded to McKinsey & Company?

Ms. Isabelle Hudon: I'd like to clarify something. She left McKinsey nine years ago.

Mrs. Julie Vignola: Right.

When was McKinsey awarded the contract?

Ms. Isabelle Hudon: The contract was signed at the end of August 2021.

Mrs. Julie Vignola: How would you define the term "alumni"?

You often hear this term used in connection with firms like McKinsey.

Ms. Isabelle Hudon: They are people who remain linked to a brand, an employer, a university or an organization.

Mrs. Julie Vignola: The length of time away from the organization is irrelevant.

Would Ms. Dorval be considered an "alumna"?

Ms. Isabelle Hudon: I don't think so, but you'd have to ask her.

Mrs. Julie Vignola: Thank you.

[English]

The Chair: You had about an extra 15 seconds, Mrs. Vignola.

Mr. Johns, before we go to you, because we finished a bit late at the last meeting, the Bloc and the NDP were cut off at one minute instead of two and a half in the second round. We have the capacity to go a bit longer. Instead of doing three minutes, three minutes, one minute and one minute, do I have the committee's permission to stick with five minutes, five minutes, two and a half minutes and two and a half minutes for the final round?

Some hon. members: Agreed.

The Chair: Thanks.

Go ahead for six minutes, please, Mr. Johns.

Mr. Gord Johns: Thank you very much, Chair.

Ms. Hudon, the media reported that "employment turnover in upper management has spiked", and that it could have a lot to do with the fact that current and former BDC employees were expressing serious concerns with your decision to outsource the \$4.9-million strategic review. They said McKinsey had unrealistic expectations, and that bringing in outside consultants showed a lack of confidence in internal expertise.

The BDC has done similar strategic reviews. Why couldn't this one be done internally? Do you think, for \$4.9 million, you could have hired in-house expertise to do that work?

Ms. Isabelle Hudon: It was well discussed, well thought out and, again, it was not my decision. It was a decision that was taken by the executive team and the board of directors, to bring in external consultants not to develop the strategy but to help, to support and to contribute to the vision.

Mr. Gord Johns: I'll go back to the impact it had on staff. They cited that there were unrealistic expectations, and it lacked confidence in internal expertise.

The employees at BDC also reported that they were alarmed at some of the expenses incurred by the BDC under your leadership. You flew your private chauffeur from Montreal to B.C. at a cost of \$12,300 last June and again for \$8,100 last October. That's \$20,400.

Just so you understand, I live in the farthest riding to the west. I travel back and forth across this country, and it takes me 11 hours to get home—two flights and a long drive. My cost to travel, in the last reported full year of 2018-19, was \$25,000. Do you not see a problem with that? You're quoted as saying it was the best value for money. Do you stand by that statement?

I've never, ever incurred a travel cost like that in my seven and a half years as a member of Parliament.

Ms. Isabelle Hudon: This was a decision that we took for specific reasons at the time. I'm in front of you saying that I hope we will not have to take this decision again, and we will find other options—I promise.

• (1825)

Mr. Gord Johns: I have to be accountable to taxpayers. I believe that employees and leadership in Crown corporations have to do the same. It is prudent.

We had a motion that I brought forward to the committee, and I'm going to move to committee business quickly here, if you don't mind. I brought forward a motion. I talked to everybody. I feel confident that it wouldn't have passed as it stood. Therefore, if I withdraw that motion and present what we talked about, I'm hoping the committee will support that.

Mr. Chair, if you don't mind, could I move that I withdraw the initial motion to expand the study on McKinsey so that we can finish that study?

The Chair: On that one, we just need unanimous consent to withdraw it. I assume we do.

Some hon. members: Agreed.

(Motion withdrawn)

Mr. Gord Johns: Thank you so much, everybody on the committee.

I move:

That the committee expand its study of the outsourcing of contracts in public services and procurement by increasing the number of meetings in the motion adopted on Wednesday, February 1, 2022, to a minimum of twelve meetings; that the committee invite the most senior executives in Canada from McKinsey

& Company, Deloitte, PricewaterhouseCoopers, Accenture, KPMG, and Ernst & Young; and that the committee invite additional witnesses to provide testimony, provided that the parties each provide their lists of additional witnesses to the clerk of the committee, by 3:00 p.m. EST on Tuesday, February 14, 2023, who the Chair shall schedule in a manner that is fair to all parties.

The Chair: What a romantic Valentine's Day you have planned.

Mr. Gord Johns: We don't have to put that in the motion, Mr. Chair.

The Chair: We have Mr. Genuis and then Mr. Jowhari.

Mr. Garnett Genuis: Mr. Chair, on a point of order, as I understand it, this is a notice of motion. It can't be moved without notice, so it's a notice of motion.

The Chair: It can be moved. It's the matter at hand, so I think it is acceptable.

Mr. Gord Johns: It's the matter at hand. I believe what I heard from the committee at the last meeting was that there wasn't going to be an objection to this.

Mr. Garnett Genuis: Okay. I'm sorry. I was trying to understand.

Mr. Gord Johns: Yes, it's the matter at hand.

The Chair: Go ahead, Mr. Jowhari.

Mr. Majid Jowhari: Thank you, Mr. Chair.

I fundamentally don't have an issue with that, but my understanding is that we were coming to the committee business portion of our scheduling very soon. Can we delay the final decision until then? What I'm hearing is that there very much is alignment.

My only concern is that I really need to go back and get an understanding of what this does to the production of documents. We just received over 50,000 pages for McKinsey. With some of the dates and some of the volume that's going to be potentially generated, I just want to make sure we have enough time to go to translation and that we don't run into an issue.

The Chair: I understand, and I think Mr. Johns has a brief answer for that.

Mr. Gord Johns: That is part of the reason why I didn't include it in the McKinsey study. We're not going to be asking public servants to spend eight years on documents. That's my understanding of what it was going to take.

The Chair: There are no document requests.

Mr. Gord Johns: There are no documents, so hopefully that relieves your concern.

The Chair: Go ahead, Mrs. Vignola.

[Translation]

Mrs. Julie Vignola: I want to make sure I understand.

It's been proposed that we conclude our study of McKinsey and begin our study of other companies. Is that right?

A voice: Yes.

Ms. Julie Vignola: Okay. Thank you.

[English]

The Chair: Mr. Genuis...?

Mr. Garnett Genuis: Thank you, Chair.

From what I understand, we didn't see the text of this in advance. We're inclined to be supportive in principle.

We have very limited time with the head of BDC, and I would like to have the additional round that we agreed to. On that basis, I would move to adjourn debate.

The Chair: We have a motion to adjourn debate. May I have a show of hands?

(Motion agreed to)

The Chair: I sense the will of the committee is that we take this up again when we have a bit more time. I'm going to guess, from my experience with the committee, that it will probably go ahead. It appears that we want to finish this off, but I think we could probably bring it back in on Monday, when I'm sure we will have it properly approved, if I were to guess.

Do you want to finish your round with Ms. Hudon, Mr. Johns? You have about two minutes.

• (1830)

Mr. Gord Johns: Does that affect other people's time?

The Chair: The clerk has advised me that, when he moved his motion, he had two minutes left, so I'll let him finish the two minutes.

Please be brief, because we are cutting into the last portion now.

Mr. Gord Johns: I'll be really quick, then.

On another instance of spending...and I'm going to go back to this issue because it's a real concern. There was a \$320,000 employee outreach event, and the media reported that employees said they have no idea what the point of the pricey event was. I'm intrigued by two expenses in there that make up most of the costs: \$145,000 spent on scriptwriting and video production, and another \$146,000 was spent on audiovisual services.

That \$146,000 was awarded without competition. The BDC is required to issue tender calls for contracts over \$150,000. Curiously, the audiovisual spending was just \$4,000 short of that limit.

My question to you is what the point was of that event. My second question is whether the two greatest expenses were intentionally billed at \$4,000 and \$5,000 short of the competition threshold. Was this done to avoid having to issue bids?

Ms. Isabelle Hudon: On the purpose of the meeting, as it is part of BDC culture to bring all employees together, this time around, after 18 months of the pandemic and working from home—it was even more than 18 months; it was almost two years—we decided to organize an event where we would bring employees together physically across our offices across Canada and virtually with an interactive platform. The cost related to this event was to create that—

Mr. Gord Johns: However, you didn't go to tender. You billed out just below the tender. It was really close.

Why was it so close? Did you try to avoid going externally and putting out a bid, or did you just select...?

Ms. Isabelle Hudon: No, that would not be aligned with how we do things.

Mr. Gord Johns: It looks like it's sole-sourced. It really does, in a sense.

Ms. Isabelle Hudon: I hear you, but it's not part of how we do things.

The Chair: I'm afraid that is our time now.

Is it Mr. Paul-Hus for five, or is it Mr. Barrett?

It's Mr. Barrett for five minutes, please.

Mr. Michael Barrett (Leeds—Grenville—Thousand Islands and Rideau Lakes, CPC): Thanks, Chair.

Thank you for coming today.

I have a couple of questions about the value for money that Canadians get from the BDC as a Crown corporation.

First, for context, I'll ask if you know what the average price is for groceries for a family in Canada this year. Do you know what that's projected to be?

Ms. Isabelle Hudon: Groceries. Is that what you said?

Mr. Michael Barrett: Yes. Do you know what—

Ms. Isabelle Hudon: Is that on a weekly basis?

Mr. Michael Barrett: For a year. What would it cost an average family for a year?

• (1835)

Ms. Isabelle Hudon: I would say \$150 per week or \$200 per week by 52.

Mr. Michael Barrett: It's said to be \$16,000 for this year for a Canadian family.

While they're looking at this record-high food inflation, they're seeing things like exorbitant amounts of money, \$104 million, paid in bonuses and raises over the last two years. They're seeing things like these fees for chauffeurs to be flown across the country. They're seeing these wild event planning expenses that they don't see value for. Your employees reflected that in some of their comments.

How would you justify spending half a year's worth of groceries on the lowest amount that I mentioned, which was to fly your driver across the country? How would you justify that to Canadians?

Ms. Isabelle Hudon: Especially with the event organized for employees, we felt that it was the right moment to invest in bringing our colleagues together. First—

Mr. Michael Barrett: I heard your answer about that. However, specifically in the context of what groceries cost a Canadian family in a year and the necessity to have the best value for money to fly your driver across the country, is that justifiable to Canadians?

Ms. Isabelle Hudon: Again, this was a decision that was taken in a very serious manner for specific reasons. As I answered your colleague, we are highly responsible. I'm in front of you, saying it's my hope that we will not do this again.

Mr. Michael Barrett: I would say it's the expectation of most Canadians who are familiar with it that it will not happen again.

Ms. Isabelle Hudon: I hear you.

Mr. Michael Barrett: BDC is the Business Development Bank of Canada. Is that correct?

Ms. Isabelle Hudon: Yes.

Mr. Michael Barrett: BDC is the expert in business development. Is that correct?

Ms. Isabelle Hudon: We have part of the team that does business development, especially our teams in the field working directly with clients.

Mr. Michael Barrett: Why did you need a \$2.1-million contract for a business development case for an organization that bills itself as one that offers business development expertise?

Ms. Isabelle Hudon: What we did during the strategic review was not necessarily to think about the go-to market strategy for specific clients, but what the pandemic changed over two years and about the future of the SME ecosystem in Canada. It was not specifically around business development. It was to identify what the key pillars were in which we would invest.

Mr. Michael Barrett: I have just under a minute left.

You'll have seen stories in media reporting on McKinsey's involvement in advising Purdue Pharma to supercharge the opioid crisis, in corruption scandals in South Africa and France, and in helping the government of Saudi Arabia track down and punish dissidents. That's to name only a few.

Knowing that now, going forward, do you view McKinsey as an ethical company? Will the BDC continue to do business with McKinsey now, knowing these facts?

Ms. Isabelle Hudon: Going forward, as we did in the past, we will carefully respect the process around procurement with the rules we have.

Mr. Michael Barrett: Is McKinsey an ethical company, ma'am?

Ms. Isabelle Hudon: Again, I'm in front of you to say that we've respected the procurement process with all of the rules.

Mr. Michael Barrett: I'm not asking about the procurement process.

I'm asking you personally, ma'am—as someone who's here to be accountable to Canadians—if you think McKinsey is an ethical company. It's a yes-or-no question.

Ms. Isabelle Hudon: I will say again that I'm in front of you to say that we did respect—

Mr. Michael Barrett: Respectfully, ma'am, you're here to answer questions.

The Chair: Could we just have a very quick question? Then we'll finish up and go to Mr. Jowhari.

Mr. Michael Barrett: It's a super quick question.

Is McKinsey ethical, yes or no?

Ms. Isabelle Hudon: Again, we've respected our procurement process and we will continue to do so.

Mr. Michael Barrett: I would say that if you continue to do business with them, then your procurement process is broken.

The Chair: Thank you.

Mr. Jowhari, you have five minutes, please.

Mr. Majid Jowhari: Thank you, Mr. Chair.

Thank you, Ms. Hudon, for joining us today.

I understand that this was a competitive process and McKinsey was selected. The process was a strategic review based on the challenges that small businesses have faced in the previous two years. Also, it was a process that engaged over 400 members of your organization.

One of the key perspectives that McKinsey seems to have been qualified for was around what other development banks in the world were doing. Is my understanding correct?

Ms. Isabelle Hudon: Yes.

Mr. Majid Jowhari: Okay. Thank you.

Having said that, can you tell us what other thought leadership McKinsey brought that addressed some of the challenges that small businesses face, especially ones that are part of a start-up and are trying to grow in a very challenging environment?

• (1840)

Ms. Isabelle Hudon: I have a few comments.

First, we've looked at how we could accelerate the adoption of digital, from both the bank's and the SMEs' perspectives.

Second, one very important output of this strategic review—it was done by both McKinsey and the team internally—was to better understand from a numbers perspective and a qualitative perspective what the market share was that was up for BDC to serve more and better.

It was helpful to take quality time to understand which of the 1.2 million SMEs in Canada are to be served and supported by BDC. We were able to quantify this total addressable market for BDC. We were also able to qualify those clients that today are not receiving the support they should from other financial institutions. It brought us to conclude that if we had started over 10 and 15 years to support some underserved clients, then we need to accelerate this—especially in supporting more women, indigenous, Black and newcomer entrepreneurs, to name only a few.

I will say that this was often discussed internally at the bank. One thing that my new colleagues shared with me when I joined in 2021 was that we would like to keep on being a bank but to put a capital D in BDC, so that we fully play our role as a development bank.

This was a very important outcome of the strategic review. We were able to get there from a number and a qualitative aspect because of the combination of the know-how internally and the expertise we brought in from McKinsey.

Mr. Majid Jowhari: Thank you.

It's clear that the areas of focus for the bank are very much aligned with the area of vulnerability and also opportunity that we saw during the pandemic as it related to small businesses and where it would allow us to grow, such as with Black entrepreneurs, women-led organizations and indigenous organizations.

Now, with about 40 seconds to go, I want to talk about the structure. Was there any recommendation around the existing skill set, any gaps within BDC that this transformation needs to address to ensure that the market you talked about—1.2 million small businesses—could be served better?

Ms. Isabelle Hudon: It did not address this specifically around skills, but we did recognize—and we do recognize today, for example—that to serve those underserved clientele, we need to bring in internally more of those talents so that we learn from them and know how to work and support those clientele. However, it was not specifically addressed.

Mr. Majid Jowhari: Thank you, Mr. Chair.

The Chair: Thank you, sir.

We have Ms. Vignola for two and a half minutes and then Mr. Johns for two and a half minutes, please.

[*Translation*]

Mrs. Julie Vignola: The plan submitted to you by McKinsey contained objectives and ways of achieving them.

Is that right?

Ms. Isabelle Hudon: If I may, Ms. Vignola, the strategic vision that resulted from this review gave us details on the areas we should be focusing on to perform more effectively.

Mrs. Julie Vignola: Were you fully in agreement with the details about these areas of focus?

Ms. Isabelle Hudon: Yes, absolutely, because they reflected our strategic review.

When the management team appeared before the board of directors, it explained the vision that the management team had devel-

oped with the support of over 400 internal employees. It wasn't McKinsey that drafted the strategic vision.

• (1845)

Mrs. Julie Vignola: Okay.

Would it be possible to see the plan, unredacted, that was submitted to you?

Ms. Isabelle Hudon: My colleagues have informed me that we are participating fully in the committee's efforts. We will make available to you any documents requested, including those pertaining to the contract.

Mrs. Julie Vignola: Are the documents prepared by McKinsey the same as those that were presented to all the BDC teams?

Are there some that have the McKinsey logo on them and others with the BDC logo?

Ms. Isabelle Hudon: The documents presented were from the BDC, and contained some of the things proposed by McKinsey. Those presented to our Board of Directors had the BDC logo on them.

Mrs. Julie Vignola: Okay.

You've been an ambassador, and Mr. Dominic Barton of McKinsey has also been an ambassador. On your management team, there are people who come from McKinsey, like Mr. Barton, who is involved in the Century Initiative and who chaired the Advisory Council on Economic Growth, which recommended the creation of the Canada Infrastructure Bank.

The name of the McKenzie firm pops up just about everywhere in these spheres of activity. Should we be worried about that?

Ms. Isabelle Hudon: Not at all.

Mrs. Julie Vignola: It's perfectly normal. It's only to be expected that people who are, or who have been, with McKinsey should turn up in our infrastructures.

Is that it?

[*English*]

The Chair: I'm afraid that's our time, Ms. Vignola.

If you have a further response, maybe you can provide it in writing.

Mr. Johns, you have two and a half minutes, please.

Mr. Gord Johns: Ms. Hudon, the BDC hired four of your former colleagues. All four worked at Sun Life during your time there between 2010 and 2017.

According to a BDC spokesperson, you had a role in at least two of those hires. For the two that you hired with your involvement, what positions did they have at Sun Life and what positions were they given at BDC?

Ms. Isabelle Hudon: My involvement was being one of the interviewers. I was not responsible for the hire, but I was one of the people who interviewed those two candidates.

Mr. Gord Johns: Okay. You're heading an organization. Don't you think you have an influence?

Ms. Isabelle Hudon: Yes, I agree, but I wanted to clarify. The reason I was involved in interviewing those two people was that one was to report to me directly, and the second was reporting to one of my direct reports.

Mr. Gord Johns: Given your current job, you chose to hire former co-workers. How can we trust that you're not going to choose your former employers to get contracts, or your former colleagues or people you worked alongside who are working for some of these big consulting companies?

Ms. Isabelle Hudon: First, it was a process that was well done. The roles were posted. For the two roles, headhunters were managing those processes. Again, along with my colleagues who interviewed those candidates, we took the decision as a team that those two candidates were the best ones to hire.

Mr. Gord Johns: Have you chosen your former employers? Have they been given any contracts with BDC?

Ms. Isabelle Hudon: My former employers...?

Mr. Gord Johns: Yes. Sun Life or any of the organizations...have you used them for any contracts? Have you given contracts out to anybody you worked with who is working for another company? Have you outsourced any of the services you've gotten that maybe don't even meet the threshold? Is there any...?

Ms. Isabelle Hudon: No.

Mr. Gord Johns: Thank you.

The Chair: That would be your time, Mr. Johns.

Colleagues, thanks for bearing with us and staying a bit later.

Ms. Hudon, thank you for joining us today.

If there is nothing else at this time, we will be adjourned.

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